

## MINUTES

FORTY-NINER SHOPS, INC.

FINANCE & INVESTMENT COMMITTEE

**Friday, September 16, 2022 – Zoom & In-Person Hybrid Meeting**

(Exception Made Due to ongoing Covid-19 Safety Precautions)

**Members Present:** Mr. Scott Apel, Chair Dr. Praveen Soni  
Mr. Milton Ordoñez Ms. Mitali Jain

**Absent:** Dr. Beth Lesen

**Staff Present:** Dr. Miles Nevin, Executive Director, 49er Shops and ASI, Inc.  
Mr. Gordon Copley, Chief Financial Officer, 49er Shops and ASI, Inc.  
Mr. Tom Collier, Accounting Manager, 49er Shops  
Ms. Marianne Russo, Executive Secretary, 49er Shops

**Guest(s):** Ms. Kristina Randig, Business Manager, Financial Management  
Mr. Idris Aydin, Director of Finance and Administration, ASI, Inc.  
Ms. Kristy Nguyen, Accounting & Financial Analyst, ASI, Inc.  
Mr. Stewart Ohanesian, Senior Accountant, ASI, Inc.

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**A. Call to Order:**

The meeting was called to order at 8:33 a.m. by Chair, Scott Apel

**B. Approval of the Agenda:** September 16, 2022

Motion to accept the Agenda as presented.

M/S Mr. Ordonez / Ms. Jain

By acclamation the Agenda for the meeting of September 16, 2022 was hereby approved as presented.

**C. Approval of Minutes:** May 9, 2022

Motion to accept the Minutes as presented.

M/S Mr. Ordonez / Ms. Jain

By acclamation the minutes of May 9, 2022 were hereby approved as presented.

**D. Action Items:** 4th Quarter 2021/2022 Year-End Review

- Over the summer, Mr. Robert de Wit, now retired General Manager/CEO of the 49er Shops, and Dr. Miles Nevin brought on Mr. Gordon Copley who currently serves as the Chief Financial Officer for both of these auxiliary organizations.

- As such, Mr. Copley presented the 4<sup>th</sup> Quarter Year-End review summary to the committee members.
- **Financial Summary: June 2022, Full Year Financial Results (Pre-Audit):**
  - Key Activities – the results for the year were made with the assumption of returning to previous pre-pandemic student traffic and activities on campus which hadn't been the case and cause mixed financial results compared to budget.
    - Overall sales came in at a little over \$25 million up by 7.4% or \$1.7 million favorable to budget.
      - Residential Dining sales were up by 32.8% due to nearly 90% occupancy as opposed to the 75% assumed in the budget.
      - Bookstore sales were down \$466,000 due to the increasing transition from hard copy textbooks to rentals and digital formats.
      - Retail Dining services were down mainly from the Nugget remaining closed due to staff shortages seen throughout the division on the whole.
    - A favorable gross profit percentage along with operating costs being contained yielded a favorable operating income of \$3.6 million.
    - The Shops ended the year with a positive net contribution of \$6.7 million with an operating contribution of \$6.6 million.
      - These results may be dramatically favorable to budget likely due to a non-cash actuarial adjustment in CalPERS reflected in the G&A totals.
- 4<sup>th</sup> Quarter Overview:
  - June and 4<sup>th</sup> Quarter results reflected volume recovery with rebounding sales revenue of over \$2.1 million or 48% favorable to the budget.
    - Bookstore sales were up \$1.43 million in part due to a strong graduation vendor commission of \$488,000 that impacted the operating income.
    - Residential Dining was favorable to budget by over \$160,000 while Retail Dining Food Services were below budget in the 4<sup>th</sup> quarter.
  - Cost of Goods Sold saw volume increases with year-end inventory write-offs which was partially off-set due to favorable operating expenses seen during this time.
- Year-to-Year Comparison
  - Operating results far exceeded prior year's results due to the recovery from the pandemic conditions of 2020-2021 across product lines.
    - Sales were up \$14.7 million with margin rates up 57.7% versus the previous year's rate of only 38.7% which led to an increased operating income looking year over year.
    - The Shops' net contribution was \$6.7 million over the prior year's loss which was due in part to the following factors:
      - Large CalPERS actuarial adjustment based on investment results in areas of today's current investment market which has yielded losses for the first half of the calendar year.
      - Recognition of the 2<sup>nd</sup> Paycheck Protection Program (PPP) Loan forgiveness as revenue.
- Capital Status Full Year 2021-2022

- Current Year Expenditures were kept to a minimum of only \$89,800 with spending focused mainly on food services with the campus continuing to repopulate.
  - Caffeine Lab opening in the University Library came in at below budget with a total of \$34,600.
  - New outdoor furniture for the Outpost cost around \$15,000
  - Maintenance repair to the Nugget in preparation for potential re-opening in 2023 that came in at \$39,900.
- Capital Expenses for this next academic year have been budgeted for much higher expenses as we take into account the needed ADA maintenance for the Bookstore elevator along with maintenance and facility costs to officially open the Nugget.
- Investment Results
  - Economic and marketplace investment returns were significantly down reflecting the worst market performance since 1970 according to the Washington Post and equated to total year investment losses of over \$1.9 million.
    - Morgan Stanley was down 18.2% or \$1.8 million, and the BIG student group was down by \$110,000 or 16.1%.
      - Even though this number seems low, Morgan Stanley was able to beat the market downturn with alternative hedge funds included in our portfolio that tend to do better in market downturns like the one we are experiencing.
    - VEBA Trust was down 19.7% or \$1.2 million off balance sheet
- Financial Statements Overview – 2021-2022 Year End:
  - Combined Cash and investments were down \$1.8 million from last year at \$13.6 million from \$15.4 million.
    - This reflects a reduction in liability balances from the PPP Loans being forgiven along with the paydown to reduce the Unemployment Insurance liability.
  - Balance Sheet Review:
    - Accounts Receivable has been reduced by more than a half when looking year over year.
    - Liabilities were down by \$500,000 due to the following activities:
      - The reduced end of year payroll accrual
      - Release of Beach Club deposits in 2021 and not in 2022.
      - Long-term liability reduction of around \$9.3 million as a result of the PPP Loan forgiveness along with the CalPERS unfunded liability relief.
  - Cash Flow Statement:
    - Negative cash flow in June with a Year-to-Date total of \$1.8 million down due to circumstances from the ongoing pandemic conditions.
- Campus Contributions
  - These contributions were increased to \$1.7 million for the year as the Shops continued to see economic recovery with the campus re-population to pre-pandemic numbers.
    - Donations were \$98,661
    - Partnerships at \$1,037,610
    - Reimbursed Services were \$521,772
    - Capital Improvements came in at \$49,868

- June Year-to-Date Draft Audit Adjustments
  - Earlier in the week, Mr. Copley and Mr. Collier received some updated changes from the Auditors that would affect our Net Contribution results. These would include the following:
    - Additionally accrued miscellaneous income from the Balfour commissions received.
    - Period related entries where transactions happened in June while invoices were reconciled in July.
    - Correction of non-cash actuarial adjustment
  - After reviewing these audit adjustments in depth, our positive Net Contribution were subsequently modified from \$6.7 million to a little over \$5 million accordingly.

Motion to accept the 4th Quarter and Full Year 2021-2022 Financial Review.

M/S Mr. Ordoñez / Ms. Jain

By acclamation the 4<sup>th</sup> Quarter and Full Year 2021-2022 Financial Review was hereby approved to recommend to the Board.

- Moving forward, Mr. Copley explained that he would like to begin using different presentation modification charts and tables that could help the committee members better understand our overall financial results which including the following:
  - Waterfall Charts which help describe the bigger picture of where we the Shops have started in the financial year through to our year end results.
    - Dr. Soni voiced his appreciation of this perspective being used for these reports.
  - A Comparative Balance Sheet that would detail our year over year numbers while providing detailed notes to help understand any underlying factors that have contributed to these financial results.
  - A more traditional Cash Flow Statement detail that is not as operationally focused as has been presented in the past with the option to look year over year in comparison.
  - Variance Bridge and Narrative breakdown for Board presentations specifically which is a traditionally used chart that provides a narrative from start to finish for these numbers.
- His goal is to find a better balance from the review of too many extraneous details that may allow for more time to strategize our financial goals in future meetings.

## **E. General Information**

- Shared Services
  - Dr. Nevin discussed that the Shared Services Leadership Team plans to present a full report at the Board of Directors, however, Mr. Copley would provide the committee with some of those details ahead of time.
    - He discussed that he is working with Mr. Tom Collier, the Accounting Manager from the Shops along with Mr. Idris Aydin, the Director of Finance & Administration at ASI, in weekly meetings to better assess operational efficiencies and how best to unify processes in the future
      - This could include moving forward with the Great Plains accounting management system for both organizations as ASI has experienced some issues with their Sage system overall.

- On the Information Technology, IT, side, Mr. Copley is moving forward with a more project management perspective for the department which would allow for better organization and resource allocation in the future.
  - Additionally, he is looking into how we can unify our trouble ticket system to be able to manage this process taking more into consideration the strengths and skill sets of the staff.
- 1<sup>st</sup> Quarter Financial Assessment:
  - Mr. Copley reviewed a new format for this timeframe that looked at each of the divisions operationally so that the top line revenue numbers could be better analyzed.
    - Overall, the Shops were doing better than expected when compared to budget especially in terms of Residential Dining.

## **E. Adjournment**

- There being no further business, the meeting was adjourned at 9:21 a.m.